

Message Text

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ACTION EB-07

INFO OCT-01 EA-07 IO-11 ISO-00 AGR-05 CEA-01 CIAE-00

COME-00 DODE-00 FRB-03 H-02 INR-07 INT-05 L-03 LAB-04

NSAE-00 NSC-05 PA-01 AID-05 CIEP-01 SS-15 STR-04

ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01 FEA-01

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R 110933Z MAR 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 2938

USDEL MTN GENEVA

C O N F I D E N T I A L MANILA 3517

E.O. 11652: GDS

TAGS: ETRD, RP

SUBJECT: PHILIPPINE ECONOMIC NEGOTIATIONS

REF: MANILA 2807

1. E/C COUNSELOR MET WITH VEGA MARCH 10. VEGA CONFIRMED THAT MARCH 29 DATE FOR START OF TALKS IS ACCEPTABLE TO GOP AND SUGGESTED THEY BEGIN AT 3:30 P.M. VEGA SAID PHILIPPINE DELEGATION WOULD NUMBER ABOUT EIGHT AND WOULD PROBABLY BE HEADED BY HIMSELF, BUT THAT HE WOULD HAVE TO INFORM US OF EXACT COMPOSITION AT A LATER DATE.

2. FOR GENEVA - VEGA SAID THAT HIS PLANS HAVE CHANGED AND THAT HE WOULD NOW LIKE TO MEET WITH USDEL ON MARCH 26. HE WOULD APPRECIATE CONFIRMATION THAT THIS DATE IS ACCEPTABLE.

3. VEGA SAID HE VISUALIZED TWO PART AGENDA: (A) TRADE AGREEMENT; AND (B) "AGREEMENT ON INVESTMENT AND OTHER ECONOMIC MATTERS". REASON FOR THIS BREAKDOWN IS THAT GOP BELIEVES THAT TRADE MATTERS CAN BE DEALT WITH BY EXECUTIVE

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AGREEMENT WHICH NEED NOT BE SUBJECT TO RATIFICATION, WHILE

ACCORD ON INVESTMENT AND OTHER MATTERS WOULD PROBABLY HAVE TO BE SUMMITTED TO CONGRESS FOR APPROVAL THUS NECESSARILY INVOLVING DELAY. UNDER HEADING "OTHER ECONOMIC MATTERS", VEGAS SAID GOP IS INTERESTED IN DISCUSSING THE FOLLOWING:

A. "INDUSTRIAL COOPERATION" - VEGA SAID GOP MEANT BY THIS AN AGREEMENT ON TERMS AND CONDITIONS OF EMPLOYMENT FOR PHILIPPINE LABORERS AND PROFESSIONALS WORKING IN THE UNITED STATES. AMONG OTHER THINGS, GOP WOULD LIKE TO SEE ITS NATIONS COVERED BY U.S. SOCIAL SECURITY SYSTEM AND WANTS USG ASSISTANCE IN COLLECTING INCOME AND OTHER TAXES DUE PHILIPPINE GOVERNMENT. VEGA SAID HE WOULD VISUALIZE AGREEMENT ALONG LINES OF ONE PHILIPPINES NOW HAS WITH IRAN, ALTHOUGH HE SAID HE WOULD NOT EXPECT IRANIAN AGREEMENT TO BE EXACT MODEL. HE PROMISED TO PROVIDE EMBASSY WITH COPY. (COMMENT: GOP AND USG ARE ALREADY PARTIES TO "OFFSHORE LABOR AGREEMENT" SIGNED IN 1968 WHICH REGULATES TERMS AND CONDITIONS OF EMPLOYMENT FOR FILIPINOS HIRED BY U.S. CONTRACTORS FOR WORK IN VIETNAM, PERSIAN GULF, GUAM, ETC. WITH FALL OF VIETNAM, AGREEMENT HAS NOW BECOME LARGELY MORIBUND. THIS AGENDA ITEM MAY BE SYNONOMOUS WITH ITEM 16, "LABOR AGREEMENT" ON THE GOP'S JULY 1976 LIST.)

B. ACCESS TO ENERGY, FOOD, AND FERTILIZER SUPPLIES - VEGA EXPLAINED THAT GOP HAS IN MIND SHARING OF AVAILABLE RESOURCES OF THESES ITEMS BETWEEN THE TWO COUNTRIES ON A CASE BY CASE BASIS IN THE EVENT OF SHORTAGES. (COMMENT: THIS WAS ITEM 5 ON GOP'S 1970 LIST AND MAY HAVE ITS ROOTS IN DISCUSSIONS DURING JOHNSON OCTOBER 1966 VISIT HERE OF PHILIPPINE RICE SHORTAGES AND, WE RECOLLECT, GENERAL U.S. ASSURANCES OF READINESS TO HELP.)

C. REFUND OF PROCESSING TAX ON PHILIPPINE COCONUT OIL (COMMENT - ITEM 6 ON 1974 LIST. CLAIM AMOUNTS TO \$205 MILLION.)

D. CUSTOMS EVALUATION OF PHILIPPINE EMBROIDERY EXPORTS - (COMMENT: ITEM 13 ON 1974 LIST. THERE, GOP ASKED THAT IN "VALUATION BY U.S. CUSTOMS AUTHORITIES OF PHILIPPINE EMBROIDERY EXPORTS TO THE U.S., THE VALUE OF ITS CLOTH CONTENT ORIGINATING FROM THE U.S. SHOULD BE EXCLUDED. CONFIDENTIAL

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IN GENERAL, THE VALUE OF THE U.S. CONTENT OF OTHER RE-EXPORTS TO THE U.S. SHOULD BE ACCORDED THE SAME TREATMENT.") VEGA SAID HE INCLUDED THIS UNDER THE SECOND HEADING ON HIS AGENDA BECAUSE HE BELIEVED THAT ANY AGREEMENT REACHED ON THIS SUBJECT WOULD REQUIRE CONGRESSIONAL APPROVAL. SHIPMENT OF U.S. GOODS FINANCED BY USG FINANCIAL INSTITUTIONS ON PHILIPPINE FLAG CARRIERS - (COMMENT: ITEM 14 ON 1974 LIST.)

4. IN RESPONSE TO QUESTION, VEGA SAID GOP DOES NOT NOW INTEND TO SEEK TO DISCUSS REMAINING ITEMS ON ITS 17 POINT 1974 AGENDA. HOWEVER, AT EARLIER POINT IN CONVERSATION HE HAD BEEN CAREFUL TO INDICATE THAT HIS AGENDA IS PROVISIONAL AND SUBJECT TO CHANGE.

5. VEGA SAID HE WOULD APPRECIATE RECEIVING INFORMATION ON DOLLAR VALUE OF IMPORTS UNDER EACH TSUS NUMBER ON U.S. GATT MTN OFFER LIST, BOTH ON GLOBAL BASIS AND SPECIFICALLY FROM PHILIPPINES. HE WOULD ALSO LIKE TO KNOW COMPOSITION OF U.S. DELEGATION.

6. COMMENTING ON GATT NEGOTIATIONS, VEGA SAID THAT HE UNDERSTOOD THAT LDC'S IN GENEVA WERE WONDERING WHY U.S. LIST WAS OFFER TO NEGOTIATE, WHILE OTHER DC'S HAVE TABLED THEIR LISTS AS OFFERS OF CONCESSIONS. HE SAID HE THOUGHT THE U.S. COULD EXPECT TO RECEIVE SOME POINTED QUESTIONING IF POSITION APPEARED TO VEVIATE FROM TOKYO UNDERTAKINGS. HE SUBSEQUENTLY INDICATED THAT THIS DISTINCTION WAS NOT TROUBLING TO HIM AND VOLUNTEERED THAT HE THOUGH U.S. LIST A GOOD ONE AND A CONSTRUCTIVE BASIS FOR DISCUSSION. HE SAID HE LOOKED FORWARD TO A PRODUCTIVE NEGOTIATION.
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